

HISTORICAL CAUSES OF ROMANIAN SOCIALISM INSTITUTIONALIZATION

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Abstract

The natural classification of socialism in the evolution of the history of humanity is one more difficulty for many thinkers. Surprisingly enough, many intelligent people try to deny the sense of history by challenging historical reality. In other words, though it existed, it would have been much better for socialism not to have existed in the history of humanity.

The dereliction of socialist ideology after 1989, the cancellation or ridicule of the principles and ideals expressed in the cant of the boring and demonetized slogans prove the fragility of the much-invoked damage of the so-called communist politics as an essence of the system. It was not the ideology, or the code of the communists' ethics or the supremacy of socialist property that made up the sense and essence of socialism as applied after 1948.

The 'objective' of applied socialism was the forced, accelerated development of the economies of the central and south-eastern European countries, based on the experience of USSR for the compatibility of the structure of the consumption demand of their inhabitants with the supply of the industrialized countries in a historical interval as soon as possible. God knows whether the effects of extending capitalism in these countries instead of socialism would have been the same or maybe even better until 1989! The fact is that socialism was imposed from the outside, without following in any way whatsoever the Marxist schedule of proletarian revolution determined by the enhancement of internal class contradictions.

The study of the League of Nations in 1945 reveals the programmatic character or, if not, at least the prophetic character of the advanced analyses and forecasts based on the developments of the 1870-1938 period.

- *during the interwar period, the gaps between the manufactured products exporting countries and the raw materials supplying countries widened;*
- *the diminution of the purchasing power in the countries exporting the basic commodities put more acutely in danger the sales of the countries manufacturing processed industrial goods;*
- *the economic gaps between the West and the East, i.e. the North and the South, could be reduced only by the fast industrialization of the countries exporting raw materials;*
- *the role of the external capital in the development of national economies was proved to be the least controversial; the internal, national accumulation was decisive;*
 - *the free initiative, individualism and pseudo-market economy had their limits, as they had been ineffective for an accelerated development of the countries during early industrialization;*

- *the study of the League of Nations highlights the need of the constant intervention of the state in economy by means of central planning.*

Though socialism was not expressly recommended as the best solution for the forced economic growth and development of the raw materials supplying countries, the study of the League of Nations in 1945 argues and supports measures and convergent ways of action to a very similar socio-economic system.

Keywords: *accelerated development, forced industrialization, socialism urbanization, central planning*

JEL Classification: N₁₀

Introduction

Historical need of socialism

The socialism period still is one of the most controversial ages of the evolution of the economies of the former ‘socialist camp’. The analyses of the causes of socialism institutionalization have been focused so far on mainly geo-political and ideological arguments. Most of the historians invoked the expansion of Soviet imperialism, the developed capitalist countries were accused for abandoning Eastern Europe in the hands of the Bolsheviks on the line of the so often mentioned agreements in Casablanca, Cairo, Tehran – 1943, Yalta and Potsdam respectively – 1945.

The collapse of socialism in the 9th and 10th decades of the 20th century in most of the countries where it had been settled was insufficiently explained too, starting even with the huge Soviet power. What was the historical point of dividing the zones of influence for 45 years only?

A relevant analysis of the economic factors which determined the socialist *hiatus* has not yet been made.

Was socialism an *experiment* in history? An experiment made by whom? And to what purpose? Was socialism an *accident* of history? An *accident* which covered 5-8 decades?!

Was socialism a historical *need*? How can we establish what is *necessary* to take place in history?

The perspective of our analysis aims at this latter variant: socialism was a *historically necessary* stage. Although it seems difficult to understand and to digest such an interpretation, the historical analysis of the evolution of Romania’s economy in over 150 years of attempts of attraction to Western civilization leads to this conclusion.

The dependence of the developed countries economies upon the agrarian economies markets

The economic growth of the industrialized countries during 1800-1940 was manifested by their permanent expansion on the international markets. Unfortunately, the *external, international* or *world* market was objectively limited.

The expansion of Western economies was conditioned by the capacity of absorption of industrial products by the other economies of the world.

In its turn, the capacity of absorption of the various markets *peripheral* to the European and American economy was determined by:

- 1) *the degree of compatibility of the structure of consumption demand* in the importing countries with the structure of the supply in the industrialized countries;
- 2) *the purchasing power of the consumers* in the countries targeted to become importers of industrial products.

The failure of the efforts of compatibility of demand and supply

The expansionist trends of Western industrial society were revived during the interwar period (1919-1939): the issue of the redistribution of national markets reappears acutely. At the same time, the operating conditions and the factors of influence of international trade are discussed.

It is worth mentioning that the same issues were specific for the expansion trends of the West during the mid-19th century (at the beginning of the modernization of the Romanian national state).

The *solution* adopted at that time was the introduction of liberal and market economy institutions in *peripheral* countries in order to achieve the compatibility between business environments, as well as the cut of transaction costs.

After 80 years (1860-1940) of 'implementation' of capitalism and market economy in the *peripheral* countries, the results were utterly unsatisfactory. Self-consumption, the low income of most of the inhabitants, the consumer habits specific for a predominantly rural population were merely blocking the access of foreign products on the markets of such countries. During the eight decades, the economic gaps between the industrialized countries and the agrarian countries were not attenuated, on the contrary, they worsened.

It is obvious that a period of only 80 years, which corresponds in the history of mankind to the life of three generations, could not possibly assure a proper homogenization of the conditions of the *centre* and of the *suburbs*. The compatibility of lifestyles, mentalities and behaviours was still to be expected on long term. Preserving the institutional framework of democracy and market economy, nobody could have specified how much time was required for Romania, Bulgaria, Serbia, Slovakia, Poland etc. to become safe markets for the products and services of industrialized economies.

*The acceleration of economic development – best solution. The study of the League of Nations in 1945, **Industrialisation et commerce exterieur** (Industrialization and foreign trade)*

The development of international events during the last 150 years shows that the West was around World War II in a great dilemma:

- a) either to 'wait' on a hard-to-determine term in the improvement of the operation of market economy in *peripheral* countries and the proper growth of the purchasing capacity of such countries;
- b) or to assure the radical acceleration of economic growth in the countries aimed at becoming markets for the products of industrialized economies.

Deliberately adopting the second 'solution' has no longer the nature of a *working hypothesis* in historical research. In the light of the development of world economy from 1945 until today this interpretation gets a character of *thesis*.

The decisive arguments of the need for the acceleration of economic development in the non-industrialized or poorly industrialized countries are provided by the remarkable study of the League of Nations in 1945, *Industrialisation et commerce exterieur*. From the point of view of this study, the *total control of the state* appears as the best way of assuring a very accelerated economic development in the sense of compatibility in an as short as possible historical interval between the structure of domestic consumption demand and the structure of the supply of industrial products of the West.

Having considered the arguments in the above-mentioned paper, it is obvious that the socialist period, as we will see, cannot be considered an *experiment* or an *accident* of history, but a historical need from at least one point of view.

Literature review

Starting with the 5th-6th decades of the 19th century, the theme of the need for accelerated industrialization of the European countries 'pursuers' of England is approached from inside the concerned economies. Friedrich List is the first economist who supports the primacy of national¹ interest on the liberalization of international trade invoked by the classics of political economy.

List was a landmark for the evolution of two *emerging* economies at that time, the economies of some countries which would dominate Europe and the world: Germany and the United States of America. He strongly disputed in full expansion of the fundamentals of classical political economy liberalism, under the influence of Alexander Hamilton, the arguments in favour of extending the free trade in international trade already established by the classics (Smith, Ricardo, Mill, Say, Bastiat, etc.), saying that for a country, at the beginning of its development, it is essential to build its own domestic productive forces by

¹ In his fundamental work, List introduces expressly the word 'national' in the title of the work itself in 1841: *Das Nationale System der Politischen Oekonomie*. It is not only a speculation to note that List uses the word 'national' in the singular and as an attribute of a 'system', while Adam Smith, 65 years before, referred to the wealth of the 'nations'. The focus shifted at that time from searching *global* solutions characteristic for the age of the *enlightenment* and *encyclopaedism* to the local-regional consolidation at the national level. Today, the word *national* tends to be eliminated from the vocabulary of globalization.

developing national industry instead of depending on the import of *manufactured products* from the already industrialized countries.

National industry must already be protected in its beginnings against foreign competition; the argument of ‘common sense’ invoked by Friderich List is of supporting industry in the stage of its *infancy (infant industry argument)*.

List is famous as a forerunner of the *German historical school* and his ideas were followed and developed in Germany by Wilhelm Roscher, Karl Knies, Bruno Hildebrand, Gustav von Schmoller, Karl Bücher, Adolph Wagner, Werner Sombart. In the United States of America, List was followed by Henry Charles Carey, Simon Nelson Patten etc.

The first representative of List doctrine in Romania is D.P. Martian, followed by B.P. Hasdeu, P.S. Aurelian, A.D. Xenopol, M. Kogalniceanu, E. Costinescu, An. Stolojan, Al. Djuvara, D.C. Butculescu a.s.o. until World War I. During the interwar period, *economic nationalism* developed due to the contributions of I.N. Angelescu, St. Zeletin, C. Ianculescu, Mitita Constantinescu, N.P. Arcadian, V.N. Madgearu.

The ideological development of a great economist such as V.N. Madgearu is interesting and inspiring. In most of his publications between 1920-1939, Madgearu represented the interests of the peasants, i.e. of the National Peasant Party, and he was the opponent of encouraged and state-protected industrialization and the supporter of the intervention of foreign capital. In his work dated 1940², Madgearu analyzed maturely and objectively the evolution of Romanian economy during the interwar period, and emphasized on the inherent dangers of the growth of *relative agricultural overpopulation* and the need of industrialization and intervention of the state in the economy by planning.

The need for the national industry development was systematically supported, remarkably by the argumentative effort, by Mihail Manoilescu, the most worldwide famous Romanian economist in the interwar period. Starting from the Listian doctrine of the *educational* protection of industry, Manoilescu tried to elaborate a true *theory* of industrial protectionism opposable to the *theory* of *international commerce* and of *free trade*.³ His paper was published first in French under the title *Théorie du protectionisme et de l'échange international*, Paris, Girard 1929, then in English, Portuguese, Italian (1931) and German (1937). Long labelled ‘reactionary’, ‘fascist’ or ‘legionnaire’, Mihail Manoilescu was rehabilitated by publishing his work in Romanian in 1986!

Despite his extreme right orientation, Manolescian *ideology* was mostly ‘applied’ unintentionally by the communist regime not only in the field of industrial development.

Practically speaking, we may say that if Friedrich List had been the ‘ideologist’ of the system of economic ascent of Germany and the USA, Mihail Manoilescu was not only the theoretician, but also the *programmer* of accelerated

² V.N. Madgearu, *Evolutia economiei romanesti dupa razboiul mondial (Evolution of Romanian economy after the world war)*, Editura Enciclopedica, Bucharest, 1995.

³ Mihail Manoilescu, *Fortele nationale productive si comertul exterior. Teoria protectionismului si a schimbului international (Productive national forces and foreign trade. Theory of protectionism and international trade)*, Editura Stiintifica si Enciclopedica, 1986.

economic development of the countries supplying raw materials at the beginning of industrialization both in the interwar period and after 1945.

Determinants of socialism institutionalization

If at the beginning of World War II Romania had crossed a transition period of eight decades (1859-1939), from one type of feudalism to a type of pseudo-capitalism, the passing to socialism after 1944 was made without a 'transition', by the intervention of Soviet armies. True, socialist historiography had identified a 4-year period (1944-1947) when a 'bourgeois-democratic revolution' would have taken place, a necessary stage for passing to the 'proletary revolution'.

It is less meaningful for the history of economy the way in which the transfer of political power and the instauration of the 'proletariat dictatorship' were done. It is essential for the synthetic description of the new type of society the almost fully abolition of the private property institutions and the establishment of the state property by the nationalization of the main means of production and extension of the cooperative system.

The conditions and causes which determined the establishment of the State monopolist socialism are relevant for the history of economy – with its strictly nominative variant, *communism*⁴ – in some countries of the world.

Deterioration of the international economic relations in the interwar period

The theory of international trade had set out clearly enough until 1940 the idea that for harmonious and efficient development of mankind the following conditions would be sufficient:

- deepening of the international division of labour;
- widening the application of the free trade principles in international trade.

Unfortunately, the three decades elapsed from the start of the first world war until the end of the second world war (1914-1945) brought about developments in contradiction with the expected ones, i.e.:

- start of the inflation by suspending and abandoning the *gold-standard* monetary system;
- to cope with the exorbitant money demand from the governments of the countries involved in the First World War and in the immediately following period, the central banks issued huge amounts of monetary signs not backed in gold; the paper money became *legal payment means*;
- severe distortions of the international commercial and currency circuits;
- abandonment of free trade;

⁴ The term *communism*, so frequently used after 1989, has subjective-pejorative connotations, with ethical load. The approach from an objective political and sociological perspective imposes the use of the notion of *socialism*, even if the leading political forces in most of such countries were the so-called communist parties. *Communism* remained even after 45 years of socialism 'mankind's (golden) dream'!

- exacerbation of the competition between the industrialized countries in search of new outlets;
- severe deterioration of the terms of trade in international trade; phrased as such, during the agrarian crisis 1928-1936, the countries exporting raw materials (agricultural and non-agricultural) needed to export a large quantity (in some cases almost double) of goods to import the same quantity of industrial products as before the crisis;
- considerable reduction of the purchasing capacity of the raw material supplying countries during the crisis of 1929-1933 by opening the *price scissors* detrimental to this category of countries;
- evolution of the terms of trade to the detriment of the raw material supplying countries associated with the process of capital ‘evasion’ as a result of the crisis brought some industrialized countries to bankruptcy and were obliged to declare the insolvency of external debts (the case of Romania in 1932);
- as a result of the diminution of currency receipts of the raw material exporting countries, *their demand for industrial products decreased considerably*;
- escalation of the tariff and non-tariff protectionism in most of the countries;
- generally, the industrialized countries imposed aggressive measures of protection firstly for their agriculture;
- in the raw material manufacturing and exporting countries, the efforts of stimulation of industry development were increased.

Reactions to the trends of accelerated industrialization of the commodity exporting countries

In the context of the increase of the aggressiveness of expansionist economic policies practiced in the industrialized countries in search for new markets (outlets), the attempts of establishment and encouragement of industry development in the various raw material manufacturing and exporting countries (commodities) were looked upon suspiciously and even with fear by the representatives of the interests of the industrial producers in the developed countries.

The perturbations brought by World War I and the big crisis between 1929-1933 had determined the start or increase of industrialization in some manufacturing and exporting countries especially of commodities, causing *short circuits* in the foreign trade of the old industrialized countries.

The western economists and politicians repeatedly expressed their *fears against the consequences of the continuation of industrialization in the agrarian countries* respectively, in general, in the raw material supplying countries. The *artificial* or *forced* industrialization encouraged by the state was considered one of the causes of the deterioration of the international economic relations.

Transition from free trade to protectionism. Manufacturing industry, balance of trade and balance of payments

The old industrial countries were – and still are – the main importers and exporters of manufactured items. As only the *net* imports of these items provided for the funding of the food and industrial raw materials imports, it was necessary to analyze the **trade balance** with manufactured and commodities.

Thus it was found that the industrially developed countries, which owned limited natural resources as compared to the population and their level of industrial development (the Japan case, for example), had to assure the increase of the net exports of manufactured products and of the net commodity imports.

Nevertheless, it was estimated that such an evolution of their trade balances was not incompatible with the industrial boom that might occur in certain areas.

This remark was based on the previous evolutions, namely, it had been noticed that the countries advantaged from the point of view of natural resources had increased their imports of manufactured items at the same time with the development of their manufacturing industry. Thus, until 1913 nothing had let to be seen that the progressive expansion of the industry of other countries could have disturbed the balances of the old industrial countries to the reduction of the rate of economic development; on the contrary, the concerned countries had preserved their position and were able to improve it.

The disturbance of the international economic relations during and after World War I affected to some extent the trade balances of these countries.

After the blockage of multilateral trade, at the beginning of the 4th decade, the prevalence of the actions of the factors of disintegration of international economy generated great difficulties to the *performance of the primary products flow in the direction of the industrialized states*.

The continuation of these flows was assured:

- either by adopting a commercial policy which contributed to the start of the general economic war;
- or by financing more and more because of the diminution of capital exports;
- or by the liquidation of foreign availabilities.

During the *regime of multilateral exchanges* which functioned after the 1929 crisis, the **current accounts of the balance of payments** of the industrially advanced countries were balanced by means of the active balance of the ‘invisibles’, i.e. of the revenues obtained from the maritime transports and insurance, from the repatriation of the *profits of the overseas capital investments* etc. Thus, for example, the UK could afford for over 100 years (starting with 1813) to import on an annual basis more than it exported, compensating the trade deficit by the capital inflows coming from the profits of the overseas investments, transports, international insurance etc. This was the practical foundation of the doctrine of liberalization of international trade promoted from Adam Smith on.

The massive withdrawal of capitals following the chain collapse of some large banks entailed the impossibility of maintaining – on a long term – the deficit of the

trade balance. Consequently, some countries with a tradition in the line of liberalism – Great Britain, for instance – had to adopt *measures of restricting imports*.

All the more so in the case of the countries lacking currency reserves – Romania case – under the conditions of the crisis, in 1930, the balancing of the balance of payments could not have been achieved except by serious trade balance surpluses. The latter obviously could not have been obtained as a result of the increase of the value volume of export, both due to the catastrophic decline in prices of commodities (agricultural and oil, in the case of Romania), and as a result of the incapacity of structural adaptation of the agricultural production (Romanian) to the signals of the European and world market. The promotion of aggressive protectionism in a world ‘entered into delirium’ – according to the remarks of a contemporary analyst – was a measure of defence in the case of a country with a predominantly agrarian economy.

Arguments in favour of continuing the process of industrialization of the countries producing basic goods

It is extremely eloquent in this respect the analysis made under the League of Nations by a group of researchers from several countries, an analysis published in 1945 under the title *Industrialization and foreign trade*. The study estimates the consequences of the industrialization of some countries producing and exporting basic goods, i.e. the agricultural countries, could have had on international trade and on the evolution of industry in the developed countries. The performed analyses aim at comparisons of the evolution of the industrial production and of international trade in various countries of the world between 1870-1929.

The above-mentioned study sets forth consistent arguments in favour of the *radical change in no time of the social and economic structures* of the non-industrialized or at the beginning of industrialization countries. The most important arguments are exposed below.

a. **Demand for industrial products** on the international market largely depended on the **export capacity of the countries producing basic goods**. The countries which had no developed manufacturing industry could not generally purchase such goods except as a result and to the extent of their commodity exports.

The strict dependence of the exports of such countries on the branches supplying raw material (agriculture and extractive industry) had already started to affect seriously the exports of industrial products (finite and semi-manufactured) of the developed countries.

The most pressing problem still was the correlation between the **demand for basics and the supply of industrial goods**.

b. If the increase of the industrial production of the countries at the beginning of industrialization would have been accompanied by a corresponding increase of the imports of manufactured goods (finite and semi-finite products), **the production of the industry of these countries would not have brought about prejudice to the exporters of the developed industrialized countries**.

Under regular conditions⁵, the imports from the old industrial countries would not have decreased following the development of the industry in other countries. The latter industrialization would have determined the diversification of their demand for consumption goods and the increase of the demand of manufactured goods on the world market.

c. Another reason why it was expected that industrial development would not have caused a reduction of the imports of industrial products was that in the countries with a dense population in particular, the industry ‘the most susceptible of progress’ was **decentralized and depended on the local markets** where, before creating this industry, the purchasing power in view of purchasing manufactured industrial products was limited.

d. On the other hand, **the capacity of absorption of large potential markets** was considered.⁶ Huge consumption potential markets had been too little or not at all attracted in the circuit of the world market until the 4th decade of the 20th century (USSR with an economy already in a process of accelerated development until 1940, China, India, South-East India, and the markets of the countries in Eastern and South-East Europe).

e. It was expected that by maintaining the already consecrate socio-economic structures between 1860-1940 in the poorly or at all industrialized countries, the considerable gaps between the consumption levels in the two categories **would have increased** in the following period. In the best case scenario, a relative mitigation of the gaps would have taken place in an **impossible to be specified** interval of time. The countries needed in order to assure compatible markets the as quick modification as possible not only of a consumption demand structure but also of the purchasing power of the non-industrialized countries.

f. To cover the huge potential demand of manufactured industrial products estimated worldwide and the increase of the purchasing capacity, it was estimated that the solution could have been the **accelerated industrialization of such areas**. The higher labour productivity, typical for mechanization, would have determined the enhancement of the industrial product supply by the development or establishment of some branches of the manufacturing industry.

g. It was stated that in order to remove all the fears of the representatives of the interests of the developed countries, in the countries at the beginning of industrialization, the **development of industry would have met sufficient adverse reactions, was therefore slowed down since the very beginning**. Meanwhile the **developed countries would have had the time to restructure the supply** after the potential diminution of the demand of manufactured industrial goods determined by the industrialization of the other countries. In this respect, the very increase of the

⁵ ‘Regular conditions’ means the conditions characteristic of international trade until 1914, respectively until the start of the 1929-1933 crisis, when the moderate tariff barriers did not determine stagnations or absolute reductions of the foreign trade volume.

⁶ The statistic research made by the League of Nations revealed that between 1926-1929, the production of industrial goods – besides food products – imported or processed in the concerned country, varied between USD 250 per US inhabitant and USD 3 in China.

exports of manufactured industrial products in the recently industrialized countries would have faced side effects which would have counterbalanced partially or totally the competition of the production of the old industrialized states.

h. The analysis made at the level of the League of Nations highlighted the fact that industrialization generally involves **great sacrifice** in the countries where it occurs artificially, forcedly and in an accelerated way and when the international economic relations had been back to normal, it would have been proved as **anti-economic by its artificialism**.⁷ In other words, it was admitted, and it is particularly significant for the liberal views which had been prevailing until the 1929-1933 crisis, that artificial industrialization could be tolerated to the limit of a new crisis of the international economic relations, and then, by removing the protection and repeal of the measures of industry stimulation, 'the international balance' should be restored. The price would have been obviously the collapse of the artificially established and maintained branches in the less developed countries – 'developing', which actually happened in the 10th decade of the 20th century.

i. After the start of the industrialization of some commodity exporting countries, some goods which used to be imported would have been substituted in consumption with products of domestic industry. Some industrializing countries which held insufficient quantities of currency would have been able to refocus a part of the funds designed for purchasing industrial goods to support commodity import. Thus it would have resulted an increase of the purchasing capacity of the other commodity exporting countries (still non-industrialized or on a lower level of industrialization) providing an at least constant level of the supply of manufactured products.

j. The modifications noticed in the activity of the manufacturing industry and world trade on a long term, 1870-1938, are conclusive for the support of the same conclusion: the countries where industrialization had started quite recently **had not become independent from the import of industrial products**.

Until 1930, the development of manufacturing industry – far from conferring to the concerned countries a certain independence in point of foreign manufactured items – had stimulated the import of such items, and the volume of transactions on the foreign market followed the trend of the parallel course of the activity of the manufacturing industry.

It was found that on the contrary, the small countries usually depended on the import of these products more than before the start of industrialization and that in the case of some countries of analogous dimensions, a high industrial production per capita was usually accompanied by big imports of manufactured goods.

Moreover, the countries whose industrial development had not been started still occupied the last places in point of imports of manufactured products per capita. The

⁷ This point from all the conclusions of the study of the League of Nations is extremely important: the argument was 'reassuring' for the industrialized countries, which were assured the 'return to normal' in the case of 'short circuit' of international commercial relations, by removing the conditions of favouring the industry of the less developed countries.

exception to this rule were a few regions of secondary importance which owned maritime communications favourable for the sale of a large part of their production of commodities in exchange for the foreign manufactured products.

The main distortions of this trend were determined by 'external' factors such as the modifications occurred in the commercial policies and perturbations caused in the international relations by the 1914-1918 war. After 1930, the prior relationship between production and commerce was broken in some countries which took measures of development of the manufacturing industry detrimental to imports.

In a similar manner, the comparisons made showed that until the end of the 1920-1930 period, the countries where the manufacturing industry had developed the fastest usually increased to a great extent the imports of manufactured items. The exports of manufactured products tended in their turn to increase with the production of manufacturing industry. The specific evolutions of the 1930-1938 period led to the conclusion that the real danger for the old industrial countries was not the expansion of industry – i.e. its development in other countries – but the impossibility of restoring multilateral trade or the potential collapse of this trade, provided that it had been reset.

The price competition, practiced in the recently industrialized countries, could have entailed losses on the market of some items considered in isolation, but *under normal conditions*, these losses would have been compensated by the proceedings generated by the new demand such competition would have caused, in various ways. These compensatory forces could not have possibly acted except under the conditions of a healthy operation of international trade. Great Britain lost several markets it had opened – in the previous periods, in the areas suppliers of raw materials – to the benefit of the competitor countries industrialized after it, especially after the collapse of the multilateral trade system, after 1930.

Therefore, **the risk that the demand of manufactured industrial products on the world market should diminish in the next period under the circumstances of the continuing industrialization of some countries** is out of the question. On the contrary, the effects of a *cascade* artificial industrialization would have been to the advantage of the industrialized countries.

Ways of assuring an accelerated development of the industry of some countries at the beginning of industrialization

This point of the conclusions of the analyses made worldwide, published at the end of the work in 1945 – already quoted – of the League of Nations is particularly important to establish the direction of the presumptive evolution of economy of the agrarian states in south-eastern Europe after World War II.

a. To enable proper conditions for *forced* industrialization in new regions on the globe, only the tariff barriers, specific measures for the industrial customs protectionism, were accepted on the background of the interventionist, persuasive measures mentioned above. The import restrictions to protectionist purposes were rejected which tended to favour national industry in the detriment of imports.

b. In this respect, the study of the League of Nations in its conclusive remarks showed that a **moderate protective tariff** aiming to support the national manufacturing industry on the domestic market would have had only restrictive effects with a limited and temporary character on imports. The admission of legitimacy of some protectionist measures is all the more meaningful as it represented the result of the research performed at the level of an international forum which had always paid great efforts of reasoning and assuring the need for international trade freedom during the interwar period.

c. To overcome the restrictive consequences determined by the protectionist practices, it was estimated that **only an international concerted action would have allowed the avoidance and overcoming of the commercial perturbations of this kind and the development of the necessary conditions for a really satisfying economic development**. In other words, the assurance of the survival of the artificial industries could have been done by creating some international bodies, among others, GATT –*General Agreement on Tariffs and Trade*, turned in 1995 into WTO – *World Trade Organization*), which should ‘harmonize’ the interests of the participating countries to international trade.

In 1949 the Council for Mutual Economic Assistance (CMEA) was established for the future countries included in the ‘socialist camp’ meant to provide with foreign markets compatible with the levels of development of the respective industries.

d. In the countries with a dense population, where approximately three quarters of the inhabitants dealt with agriculture, the development of industry was generally delayed because of the low standard of living – hence the poor accumulation of capitals and the absence of the propensity to saving –, the reduced labour productivity and the obsolete and inert social organization. The trade of such countries was not enough developed, the transport facilities were improper, the savings (accumulations) insufficient.

Their industrialization would have claimed in particular a radical modification of the social values and of the administrative system, as well as a reorganization and rationalization of agriculture. Under such circumstances, the increase of agricultural production would have been possible, at the same time with the diminishing of the agricultural overpopulation; a large part of the population who dealt with agricultural works would have become available for industry and trade.

In the first stages of industrialization, in the countries with a high density of the population, the development would have been enabled if industry had been decentralized and if the extent of the production had been relatively modest. In the case of an expanding, decentralized industry, a less deep social reorganization would have been sufficient: the useless urbanization would have been avoided, the use of the abundant resources of manpower would have been more available, and the need for investments in industry or in the public utility services lower. In the same countries with a dense population, the combination of a program of satisfying industrialization with measures aiming at the obstruction to an excessive growth of the population would have been necessary.

e. In these countries, it was important for the **natural resources to be exhausted as little as possible to enable a progressive industrialization**. It was estimated that some of these countries had probably overcome the stage where industrialization could have been spontaneous. **In such cases, this should have been the object of a carefully established plan and followed-up by the government intervention and support.**

f. **The foreign capital inflow** was very important for the development of foreign trade and of the public utility services which were a prerequisite of industrialization. The experience of the interwar decades showed that the amounts of foreign capital available for the development of a manufacturing industry were extremely limited. **Most of the industrial capitals should have been supplied by national accumulation.** The possibilities of obtaining such capitals, even in the countries where there was no margin of tolerance for compressing consumption were deemed to be more than at first sight.

g. Relying on a customs tariff as a unique or main means of stimulating industrialization had practically become a utopia. In order to succeed, an industrialization plan would have had to include in general a wide program of social renovation, of improvement of the hygienic conditions, of general and technical education, of the agricultural reforms and of the transport investments, in the production of power, and in the other public utility services.

This is the end of the conclusions of the analysis of the study of the League of Nations, *Industrialisation et commerce extérieur*.

Only one solution is missing from the expected ones: there is no mention about the need of **nationalization of the means of production, i.e. the establishment of socialism**. This path is only suggested by the severity and the extent of rigor involved in the other imperatives of expansionist essence contained in paragraphs 5.d, e, f and g.

As we can see, such a comprehensive study elaborated by specialists of the most important international body excludes the variant of maintaining the structures and rates of economic growth before 1940. The preservation of existing traditions, mentalities, socio-administrative structures could not guarantee a fast enough industrialization to assure as soon as possible from the historical point of view the transformation of the agrarian countries and the raw material supplying countries for the Western markets.

The League of Nations attempted by the medium-term analyses, 1870-1929, to identify solutions to expedite the industrial development of the commodity producing countries.

Conclusions on the premises of socialism institutionalization in Romania, from the perspective of the interwar experience

1. **As evidenced by the conclusions of the analysis made by the League of Nations, the forced industrialization had become an imperative of re-launching in as short a time as possible the international economic exchanges.** Of all the expected solutions – the return to the gold-standard-based multilateral

exchanges, the liberalization by reducing the intervention of the states and the international economic relations among national economic entities etc – *it is obvious that the decision, just like in the intervals 1855-1866 and 1916-1919 had been made at a high level*: this hypothesis leads to the substantiation of the reconsideration of the perspective of post-war reorganization of Europe and the world.

2. Instead of returning to the gold standard, a new monetary system was set up in Bretton Woods which, far from removing the danger of national monetary inflation, consecrated the possibility of worldwide inflation. It was most unlikely for anyone to expect a return to the multilateral exchanges system before the World War I.

3. The implantation of the ‘Iron Curtain’ – approximately on the barriers drawn at the end of Antiquity in South-Eastern Europe between the Eastern Roman Empire and the Western Roman Empire – enabled the distinct organization of the two categories of countries, industrial and agricultural. For the states recently entered under the guardianship of the Soviet Union, the totalitarian regime corresponded to a great extent to the conclusions expressed in the studies of the League of Nations.

– ‘*thoroughly established national plan* and followed up with *the intervention and support of the government*’;

– the increase of the internal accumulation rate;

– sanitation, urbanization, electrification etc. programs

the obvious motive of this divide of Europe and of the world was certainly not the trust in the state qualities as an organizer and entrepreneur, but the taking into consideration of the important gaps aggravated during the last interwar decade between the groups of states of ‘the two Europes’, industrial and agricultural. I met no optimistic mention in the specialized literature on the mitigation of the gaps without affecting the growth in the advanced countries by the ‘total’ liberalization of the international business relations, either *on short term* or *on long term*.

And if ideally one could have admitted that by the long term ‘total liberalization’ a mitigation of the gaps might have been obtained, nobody could have said either whether this mitigation would have been achieved by potential reductions of the rates of growth of the industrialized regions, or how long would have lasted.

According to the bitter experience of the autarkizations specific for the 4th decade, instead of a ‘total liberalization’, the development of zones of *integral protectionism* was chosen globally: the customs protectionism and the protectionism achieved by the legislation of encouragement of industry was attached the system of organic, integralist management of the (national) states with the whole amount of gradual objectives achieved – electrification, collectivization of agriculture, the implementation of large irrigation systems, sewerage, urbanization etc. – based on the **unique national plans**. In order to assure a foreign market for the manufactured products of these countries – which would have had small chances to penetrate from the very beginning the western markets –, the Council for Mutual Economic Assistance was established, and the General Agreement on Tariffs and Trade was set up for the regulation of international economic exchange.

The most acute problem at the European and world level was the **expedite growth of the economies of these countries**. It was estimated that the high rate of growth could not be assured on a 'liberal way'. This rate was necessary for the mitigation of the gaps especially from the point of view of the compatibility of the consumer markets with the supply of the industrialized countries. This idea is suggested – at least, if not obvious – by the conclusions of the above-mentioned study of the League of Nations.

In support of the hypotheses presented we remind here two of the conclusions of the most reputed Romanian interwar economists:

'Today's Eastern Europe is a poor client for Western Europe. But could Eastern Europe of tomorrow not become a rich client? This is the main problem of Europe. If the clients are poor, he who sells must take care first to make them rich!'

Mihail Manoilescu, *Zusammenarbeit zwischen Ost-und Westeuropa auf meuer Grundlage*, in 'Weltwirtschaftliches Archiv', Bd. 41, März, 1935, Heft 2, p. 167.

'Without assuring a continued growth of the accumulation of capital, the national economy of a people cannot represent a safe foundation to build a national state on.

Once established that on its way to a distorted capitalist economy by a chaotic state interventionism, spasmodic and exposed to all influences, Romanian economy could not accumulate Romanian productive capitals, only two roads remain open: the road of pure liberal capitalist economy or the state-controlled organized economy. The first – in the light of the experience of the whole world – appears as utopian; the second, which emerges from the life conditions of the country and from the need to build strong foundations for the development of the Romanian national state, far from being looked upon as a Promised Land appears as a national imperative.'

Virgil N. Madgearu, *Evolutia economiei romanesti*, Editura Stiintifica, Bucharest, 1995, p. 290.

It is most likely that the formation of the consumption habits and the improvement of the purchasing power of a huge amount of rural population – if we consider also China's potential – who in 1938 was still providing with the basic needs from self-consumption, could not have possibly completed in the short interval of 50 years on the way of free evolution by itself.

It becomes obvious that adopting the socialism path was the historically necessary solution for the acceleration of the economic development of *lagging countries*. 'The historical coincidence' of the collapse of the socialist system in 1989 in most of the countries where this system had been introduced after 1945 proves that the objectives established in 1945 had been attained.

The arguments in support of this **thesis** are clear:

A. In the case of Romania, after extremely low rates of growth in 1859, only by the intervention of the great European powers and the organization of an interventional economy was the process of modernization started. It is not hard to imagine that without those interventions the Romanian Countries would have still 'lain' either under Ottoman rule, or in a **smooth, peaceful patriarchal life**.

B. The introduction and application of the 'institutions of freedom' – for 80 years – according to the western model seemingly had unsatisfactory results in the case of Eastern Europe. It is the only possible way to explain coherently the decisions made – worldwide – of expansion of the Soviet totalitarian system and, from the historical point of view, the developments in the '40s correlated with those of the last half of the 9th decade of the 20th century.

The analysis of the extent in which the objectives by the organization of the world after 1945 attained their purpose is the very analysis of the 'achievements' of socialism. Yet, it is beyond any doubt that at least an objective was attained, namely the achievement of the compatibility of the demand structure in the countries with an important consumer market with the supply of manufactured industrial products of some important producers in the strongly industrialized countries.

To what extent the purchasing power of the consumers in these countries will keep satisfying the need for outlets of the leading producers is still a challenge for the specialists, politicians and decision forums at the level of concerned countries.

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